

Message Text

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DRAFTED BY EUR/EE:S FROMOWITZ

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TO AMEMBASSY BELGRADE IMMEDIATE

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FOR WORTZEL FROM ANDREWS

E.O. 11652: GDS

TAGS: OGEN, YO

SUBJECT: OFFICIAL/INFORMAL

1. AS YOU CAN PROBABLY JUDGE FROM THE PRESS REPORTS, THE VISIT HAS GONE VERY WELL SO FAR. THE ATMOSPHERE AT THE TUESDAY MEETING BETWEEN THE PRESIDENTS WAS VERY GOOD AND YOU HOPEFULLY HAVE RECEIVED THE TEXT OF CARTER'S VERY WARM AND VERY IMPRESSIVE WELCOMING REMARKS. THE MIDDLE EAST, KOREA AND THE HORN WERE THE ONLY TOPICS AT THE FIRST CARTER-TITO, AND WE EXPECT THEM TO COVER DETENTE, ARMS CONTROL, NONALIGNMENT AND RELATED MATTERS AT THE THURSDAY MEETING. (MINIC MADE IT CLEAR TODAY THAT TITO WOULD NOT TOUCH ON ANY BILATERAL SUBJECTS.) ON THE HORN, TITO PROMISED TO SEND A REPORT TO CARTER AFTER MINIC'S VISITS TO MOGADISHU AND ADDIS. ON KOREA, TITO SUGGESTED THAT THERE BE LOWER-LEVEL TRILATERAL TALKS INVOLVING BOTH THE NORTH AND SOUTH KOREANS AND THE U.S., AND CARTER DIRECTED VANCE TO FOLLOW UP WITH

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MINIC ON THIS SUGGESTION. ON MIDDLE EAST, CARTER PROMISED TO SEND TITO A REPORT AFTER BEGIN VISIT.

2. THE VANCE-MINIC MEETING TODAY COVERED VARIOUS BILATERAL ISSUES AS WELL AS FOLLOW-UP ON KOREA, THE HORN AND MIDDLE EAST. ALTHOUGH YOU WILL BE GETTING OPEN CHANNEL REPORT IN MORE DETAIL ON THESE SUBJECTS, WE WANT TO OUTLINE MAJOR

POINTS ON BILATERAS. ON ST, VANCE INFORMED MINIC THAT WE WOULD BE SEEKING ADDITIONAL FUNDS FOR COOPERATIVE PROGRAM AND EXPECTED TO BE ABLE TO PUT \$7 MILLION IN JOINT FUND. (FYI: THIS WOULD NOT BE FROM DINAR HOLDINGS BUT STRAIGHT DOLLAR APPROPRIATION TO STATE BEGINNING FY 80, WHICH PRESIDENT HIMSELF APPROVED.) ON EXIM, MINIC SAID THAT FOLLOWING HIS RETURN, FINANCE MINISTER WOULD RESPOND TO EXIM PROPOSAL ON FOLLOWING BASIS: SUPER-GUARANTEE TO EXIM NO LONGER POSSIBLE; GOY HAS AUTHORITY TO GUARANTEE AVAILABILITY OF FOREIGN EXCHANGE FOR EXIM (SOME AMBIGUITY HERE); AND THEY WILL EXPLORE BOTH CONSORTIUM ROUTE OR USE OF THE SOON-TO-BE-CREATED EXPORT-IMPORT BANK IN ORDER TO MEET EXIM'S REQUIREMENTS. CONTEXT OF THIS, HOWEVER, WAS VERY STRONG GOY INTEREST IN EXPANSION OF LONG-TERM US-YUGOSLAV ECONOMIC RELATIONS AND EXIM ROLE THEREIN. IN THIS SPIRIT, MINIC WARMLY WELCOMED CREATION OF ECONOMIC/COMMERCIAL WORKING GROUPS. ON KRSKO, BERNARDIC SPOKE FOR MINIC AND SAID THAT HE HAD JUST PRESENTED TO VEST A SHORT-TERM (4-5 YEAR) SOLUTION FOR FUEL WHICH WOULD THEN BE REPLACED BY LONGER-TERM AGREEMENT WITHIN INTERNATIONAL FRAMEWORK. ASSURING ALL THAT HE HAD NO DESIRE TO DISRUPT CURRENT NOSENZO-KLJUN NEGOTIATIONS, HE NONETHELESS URGED WE CONSIDER THIS TWO-STEP SOLUTION. (IN SUBSEQUENT COMMENT TO NOSENZO, BERNARDIC SAID GOY WOULD SOON PRESENT AN ALTERNATIVE PROPOSAL IN RESPONSE TO SECRET

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OUR MARCH 2 OPTION.) HERE, TOO, HOWEVER, MINIC EMPHASIZED THAT ISSUE WAS RESOLVABLE WITHOUT RE COURSE TO CARTER-TITO TALKS. VANCE

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